

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

E-01575A
Sulphur Springs Valley Electric Cooperative, Inc.
P.O. Box 820
Willcox, AZ 85644



ANNUAL REPORT

FOR YEAR ENDING

12	31	2007
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FOR COMMISSION USE

ANN 01	07
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PROCESSED BY:

3-18-08

SCANNED

COMPANY INFORMATION

Company Name (Business Name) Sulphur Springs Valley Electric Cooperative, Inc.

Mailing Address P.O. Box 820

(Street)

Willcox

(City)

AZ

(State)

85644

(Zip)

(520) 384 - 2221

Telephone No. (Include Area Code)

(520) 384 - 5223

Fax No. (Include Area Code)

Cell No. (Include Area Code)

Email

Address chuber@ssvec.com

Local Office Mailing Address 350 N. Haskell

(Street)

Willcox

(City)

AZ

(State)

85643

(Zip)

Local Office Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Cell No. (Include Area Code)

Email Address _____

MANAGEMENT INFORMATION

Management Contact: Creden W. Huber Chief Executive Officer

(Name)

(Title)

350 N. Haskell

(Street)

Willcox

(City)

AZ

(State)

85643

(Zip)

(520) 384-2221

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Cell No. (Include Area Code)

Email Address: chuber@ssvec.com

On Site Manager: _____

(Name)

(Street)

(City)

(State)

(Zip)

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Cell No. (Include Area Code)

Email Address _____

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

Statutory Agent: Christopher Hitchcock

(Name)

P.O. Box AT, 1 Copper Queen Plaza

(Street)

Bisbee

(City)

AZ

(State)

85603-0115

(Zip)

(520) 432 - 2279

Telephone No. (Include Area Code)

(520) 432 - 5152

Fax No. (Include Area Code)

Cell No. (Include Area Code)

Attorney: Same as Statutory Agent

(Name)

(Street)

(City)

(State)

(Zip)

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Cell No. (Include Area Code)

Email

Address lawyers@bisbeelaw.com

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

OWNERSHIP INFORMATION

Check the following box that applies to your company:

☐ Sole Proprietor (S)

☐ C Corporation (C) (Other than Association/Co-op)

☐ Partnership (P)

☐ Subchapter S Corporation (Z)

☐ Bankruptcy (B)

☒ Association/Co-op (A)

☐ Receivership (R)

☐ Limited Liability Company

☐ Other (Describe) _____

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

☐ APACHE

☒ COCHISE

☐ COCONINO

☐ GILA

☒ GRAHAM

☐ GREENLEE

☐ LA PAZ

☐ MARICOPA

☐ MOHAVE

☐ NAVAJO

☒ PIMA

☐ PINAL

☒ SANTA CRUZ

☐ YAVAPAI

☐ YUMA

☐ STATEWIDE

SERVICES AUTHORIZED TO PROVIDE

Check the following box/es for the services that you are authorized to provide:

☒ **Electric**

- ☐ Investor Owned Electric
- ☒ Rural Electric Cooperative
- ☐ Utility Distribution Company
- ☐ Electric Service Provider
 - ☐ Transmission Service Provider
 - ☐ Meter Service Provider
 - ☐ Meter Reading Service Provider
 - ☐ Billing and Collection
 - ☐ Ancillary Services
 - ☐ Generation Provider
 - ☐ Aggregator/Broker

☐ **Telecommunications**

- ☐ Incumbent Local Exchange Carrier
- ☐ Interexchange Carrier
- ☐ Competitive Local Exchange Carrier
- ☐ Reseller
- ☐ Alternative Operator Service Provider

☐ **Gas**

- ☐ Natural Gas
- ☐ Propane

☐ **Other** (Specify) _____

STATISTICAL INFORMATION

TELECOMMUNICATION UTILITIES ONLY

Total residence local exchange access lines	_____
Total business local exchange access lines	_____
Total revenue from Arizona operations	\$ _____
Total income from Arizona operations	\$ _____
Value of assets used to serve Arizona customers	\$ _____
Accumulated depreciation associated with those assets	\$ _____

STATISTICAL INFORMATION (CONT'D)

ELECTRIC UTILITY PROVIDERS ONLY

Total number of customers	49,738	
Residential	40,186	
Commercial	8,747	
Industrial	3	
Public street and highway lighting	46	
Irrigation	756	
Resale		
Total kilowatt-hours sold	796,093,821	kWh
Residential	354,843,365	
Commercial	261,267,401	
Industrial	36,567,840	
Public street and highway lighting	2,353,242	
Irrigation	141,061,973	
Resale		
Maximum Peak Load	189,614	MW

GAS UTILITIES ONLY

Total number of customers		
Residential		
Commercial		
Industrial		
Irrigation		
Resale		
Total therms sold		therms
Residential		
Commercial		
Industrial		
Irrigation		
Resale		

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) Cochise
NAME (OWNER OR OFFICIAL) TITLE Creden W. Huber, Chief Executive Officer
COMPANY NAME Sulphur Springs Valley Electric Cooperative, Inc.

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2007

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2007 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 92,912,966

(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 5,656,800
IN SALES TAXES BILLED, OR COLLECTED)

****REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 12 DAY OF

(SEAL)

SIGNATURE OF OWNER OR OFFICIAL

(520) 384 - 2221

TELEPHONE NUMBER

COUNTY NAME <u>COCHISE</u>	
MONTH <u>MARCH</u>	<u>20 08</u>

SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES 4-24-08



**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY**

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

COUNTY OF (COUNTY NAME) Cochise	
NAME (OWNER OR OFFICIAL) Creden W. Huber	TITLE Chief Executive Officer
COMPANY NAME Sulphur Springs Valley Electric Cooperative, Inc.	

MONTH	DAY	YEAR
12	31	2007

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2007 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES
\$ <u>92,912,966</u>

(THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 5,656,800
IN SALES TAXES BILLED, OR COLLECTED

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.

X

SIGNATURE OF OWNER OR OFFICIAL

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

12

DAY OF

(SEAL)

MY COMMISSION EXPIRES 4-24-08

NOTARY PUBLIC NAME <u>JOYCE M. HAUSER</u>	
COUNTY NAME <u>COCHISE</u>	
MONTH <u>MARCH</u>	20 <u>08</u>

X

SIGNATURE OF NOTARY PUBLIC



FINANCIAL INFORMATION

Attach to this annual report a copy of the companies' year-end (Calendar Year 2007) financial statements. If you do not compile these reports, the Utilities Division will supply you with blank financial statements for completion and filing. **ALL INFORMATION MUST BE ARIZONA-SPECIFIC AND REFLECT OPERATING RESULTS IN ARIZONA.**

ARIZONA 14 COCHISE

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

WILL COX, ARIZONA

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

**CERTIFIED PUBLIC ACCOUNTANTS
LUBBOCK, TEXAS**

ARIZONA 14 COCHISE

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

WILLCOX, ARIZONA

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

**ARIZONA 14 COCHISE
SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.
WILLCOX, ARIZONA**

**FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

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BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3808

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79429-1954

INDEPENDENT AUDITORS' REPORT

Board of Directors
Sulphur Springs Valley Electric Cooperative, Inc.
Willcox, Arizona

We have audited the accompanying balance sheet of Sulphur Springs Valley Electric Cooperative, Inc. as of June 30, 2007 and 2006, and the related statements of income and patronage capital, and cash flows for the years then ended. These financial statements are the responsibility of the cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sulphur Springs Valley Electric Cooperative, Inc. as of June 30, 2007 and 2006, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Bolinger, Segars, Gilbert & Moss L.L.P.

Certified Public Accountants

September 10, 2007

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SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

Exhibit A

BALANCE SHEET
JUNE 30, 2007 AND 2006

ASSETS

	June 30,	
	2007	2006
UTILITY PLANT AT COST		
Electric Plant in Service	\$ 205,047,584	\$ 182,625,306
Construction Work in Progress	16,589,528	15,748,086
	<u>\$ 221,637,112</u>	<u>\$ 198,373,392</u>
Less: Accumulated Provision for Depreciation and Amortization	69,777,795	65,173,054
	<u>\$ 151,859,317</u>	<u>\$ 133,200,338</u>
OTHER PROPERTY AND INVESTMENTS AT COST OR STATED VALUE		
Non-Utility Property	\$ 115,029	\$ 115,029
Investments in Associated Organizations	10,321,776	9,997,324
Other Investments	533,663	419,625
	<u>\$ 10,970,468</u>	<u>\$ 10,531,978</u>
CURRENT ASSETS		
Temporary Cash Investments	\$ 165,000	\$ -
Underbilled Power Cost	724,744	901,692
Accounts and Notes Receivable (Less allowance for uncollectibles of \$395,683 in 2007 and \$532,201 in 2006)	9,011,040	7,145,902
Materials and Supplies	2,308,808	1,202,627
Other Current and Accrued Assets	765,208	530,440
	<u>\$ 12,974,800</u>	<u>\$ 9,780,661</u>
DEFERRED CHARGES	<u>\$ 561,079</u>	<u>\$ 302,777</u>
	<u>\$ 176,365,664</u>	<u>\$ 153,815,754</u>
EQUITIES AND LIABILITIES		
EQUITIES		
Memberships	\$ 190,570	\$ 186,760
Patronage Capital	45,883,749	43,617,316
Other Equities	(838,702)	-
	<u>\$ 45,235,617</u>	<u>\$ 43,804,076</u>
LONG-TERM DEBT		
CFC Mortgage Notes Less Current Maturities	\$ 95,765,758	\$ 78,348,000
Notes Payable - Fort Huachuca	1,694,326	1,661,087
	<u>\$ 97,460,084</u>	<u>\$ 80,009,087</u>
OTHER LONG-TERM LIABILITIES	<u>\$ 334,224</u>	<u>\$ 242,204</u>
ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS		
Postretirement Benefits	<u>\$ 558,624</u>	<u>\$ 551,054</u>
CURRENT LIABILITIES		
Notes Payable	\$ 7,090,000	\$ 5,996,828
Current Maturities of Long-Term Debt	4,117,447	4,371,089
Accounts Payable - Purchased Power	6,135,482	5,332,448
Accounts Payable - Other	2,145,455	2,590,744
Accounts Payable - Bank Overdraft	350,888	315,927
Consumer Deposits	1,547,847	1,247,936
Accrued Taxes	1,880,514	1,581,298
Accrued Interest	41,223	26,889
Accrued Payroll	176,221	157,199
Accrued Employee Compensated Absences	1,937,762	1,856,562
Other Current and Accrued Liabilities	62,827	36,977
	<u>\$ 25,485,466</u>	<u>\$ 23,513,897</u>
DEFERRED CREDITS	<u>\$ 7,391,649</u>	<u>\$ 5,695,436</u>
	<u>\$ 176,365,664</u>	<u>\$ 153,815,754</u>

See accompanying notes to the financial statements.

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SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

Exhibit B

STATEMENT OF INCOME AND PATRONAGE CAPITAL
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	Years Ended June 30,				Increase (Decrease)
	2007		2006		
	Amount	%	Amount	%	
OPERATING REVENUES					
Residential	\$ 41,438,393	47.6	\$ 36,620,450	47.0	\$ 4,817,943
Irrigation	10,992,547	12.6	9,419,697	12.1	1,572,850
Commercial and Industrial	30,805,185	35.3	27,042,668	34.7	3,762,497
Public Buildings and Other Authorities	2,915,219	3.3	2,216,057	2.8	699,162
Power Cost Adjustments	(176,949)	(0.2)	560,148	0.7	(737,097)
Rent from Electric Property	514,796	0.8	1,424,642	1.8	(909,846)
Other Operating Revenues	741,243	0.8	689,150	0.9	52,093
Total Operating Revenues	\$ 87,230,414	100.0	\$ 77,872,812	100.0	\$ 9,257,602
OPERATING EXPENSES					
Purchased Power	\$ 54,337,168	62.3	\$ 45,111,247	57.9	\$ 9,225,921
Transmission	173,915	0.2	490,086	0.6	(316,171)
Distribution - Operation	8,236,856	9.4	7,829,911	10.0	406,945
Distribution - Maintenance	2,449,845	2.8	2,188,134	2.8	261,711
Consumer Accounts	2,756,080	3.2	2,542,412	3.3	213,668
Customer Service and Information	649,513	0.7	657,004	0.8	(7,491)
Sales Expenses	553,096	0.6	501,857	0.6	51,239
Administrative and General	3,341,882	3.8	3,212,261	4.1	129,621
Depreciation and Amortization	6,709,189	7.7	5,728,457	7.3	980,732
Taxes	926,564	1.1	702,087	0.9	224,477
Other Interest	303,874	0.3	156,140	0.2	147,734
Other Deductions	174,306	0.2	138,638	0.2	35,668
Total Operating Expenses	\$ 80,612,288	92.3	\$ 69,258,234	88.7	\$ 11,354,054
OPERATING MARGINS - Before Fixed Charges	\$ 6,618,126	7.7	\$ 8,714,578	11.3	\$ (2,096,452)
FIXED CHARGES					
Interest on Long-Term Debt	5,188,780	5.9	4,460,841	5.7	728,139
Amortization of Conversion Fees		0.0	82,712	0.1	
	\$ 5,188,780	5.9	\$ 4,543,553	5.8	\$ 728,139
OPERATING MARGINS - After Fixed Charges	\$ 1,429,346	1.8	\$ 4,171,225	5.5	\$ (2,824,591)
Capital Credits	405,203	0.5	289,097	0.4	116,106
NET OPERATING MARGINS	\$ 1,834,549	2.3	\$ 4,460,322	5.9	\$ (2,708,485)
NONOPERATING MARGINS					
Interest Income and Dividend Income	\$ 120,778	0.1	\$ 111,895	0.1	\$ 8,883
Other Nonoperating Margin (Loss)	(233,244)	(0.3)	310,201	0.4	(543,445)
	\$ (112,466)	(0.2)	\$ 422,096	0.5	\$ (534,562)
NET MARGINS	\$ 1,722,083	2.1	\$ 4,882,418	6.4	\$ (3,243,047)
PATRONAGE CAPITAL - Beginning of Year	43,617,316		40,054,679		
NONOPERATING MARGINS TRANSFERRED TO PRIOR YEAR DEFICIT			(819,777)		
RECLASS AMOUNTS FROM NON OPERATING	838,702				
PATRONAGE CAPITAL RETIRED	(294,352)		(500,002)		
PATRONAGE CAPITAL - End of Year	\$ 45,883,749		\$ 43,617,316		

See accompanying notes to the financial statements.

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SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.**Exhibit C****STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	June 30,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	\$ 1,722,083	\$ 4,882,416
Adjustments to Reconcile Net Margins to Net Cash Provided by Operating Activities		
Depreciation and Amortization	7,799,382	6,586,061
Capital Credits - Noncash	(97,905)	(125,201)
Accrued Postretirement Benefits	53,900	53,900
Deferred Charges	(258,302)	117,303
Deferred Credits	1,696,213	(415,262)
Accounts Receivable	(1,865,138)	(2,367,174)
Underbilled Power Cost	176,948	(560,147)
Inventories and Other Current Assets	(1,340,949)	(202,571)
Accounts Payable and Other Accrued Liabilities	1,224,059	2,267,006
Net Cash Provided by Operating Activities	\$ 9,110,291	\$ 10,236,331
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Utility Plant	\$ (26,222,859)	\$ (17,350,741)
Plant Removal Costs in Excess of Salvage	(235,500)	(193,153)
Other Property and Investments - Net of Noncash Capital Credits	(340,585)	(222,133)
Net Cash Used in Investing Activities	\$ (26,798,944)	\$ (17,766,027)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Advances on CFC Short-Term Line of Credit	\$ 1,093,172	\$ 3,569,847
Advances from CFC	21,500,000	6,000,000
Payments on Long-Term Debt to CFC	(4,342,660)	(4,154,944)
Notes Payable to Fort Huachuca		1,799,830
Payments on Notes Payable to Fort Huachuca	(59,985)	(78,758)
Payments on Postretirement Benefits	(46,330)	(49,530)
Retirement of Patronage Capital	(294,354)	(500,002)
Memberships - Net	3,810	5,315
Net Cash Provided by Financing Activities	\$ 17,853,653	\$ 6,591,758
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 165,000	\$ (937,938)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	0	937,938
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 165,000	\$ 0
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest	\$ 5,006,355	\$ 4,494,396
Income Taxes	\$ 0	\$ 0

See accompanying notes to the financial statements.

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SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.**NOTES TO FINANCIAL STATEMENTS****1. Nature of Operations and Summary of Significant Accounting Policies****Nature of Operations**

Sulphur Springs Valley Electric Cooperative, Inc. (the cooperative) is a non-profit company organized to provide electric service at the retail level to primarily residential and commercial accounts in a designated service area. Power delivered at retail is purchased wholesale from Arizona Electric Power Cooperative, Inc., of which Sulphur Springs Valley Electric Cooperative, Inc. is a member. Any revenues earned in excess of costs incurred are allocated to members of Sulphur Springs Valley Electric Cooperative, Inc. and are reflected as patronage capital equity in the balance sheet.

System of Accounts

The accounting records of the cooperative are maintained in accordance with the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission for Class A and B electric utilities modified for electric borrowers of the Rural Utilities Service (RUS).

Electric Plant, Maintenance, and Depreciation

Electric plant is stated at the original cost of construction which includes the cost of contracted services, direct labor, materials, and overhead items. Contributions from others toward the construction of electric plant are credited to the applicable plant accounts.

When property which represents a retirement unit is replaced or removed, the average vintage cost of such property as determined from the continuing property records is credited to electric plant, and such cost, together with cost of removal less salvage, is charged to the accumulated provision for depreciation.

Maintenance and repairs, including the renewal of minor items of plant not comprising a retirement unit, are charged to the appropriate maintenance accounts, except that repairs of transportation and service equipment are charged to clearing accounts and redistributed to operating expense and other accounts.

Allowance for Uncollectible Accounts

The cooperative uses the aging method to allow for uncollectible accounts receivable. During the year, management makes an evaluation of past due accounts to determine collectibility. The accounts deemed uncollectible are written off upon approval by the board of directors.

Inventories

Materials and supplies inventories are valued at average unit cost.

Electric Revenues

The cooperative's operating revenues are under the jurisdiction of the Arizona Corporation Commission.

As of June 30, 2007 and 2006, the cooperative has delivered power for usage which has not yet been billed. It is estimated that this unbilled revenue amounts to \$4,117,495 and \$6,946,557 at June 30, 2007 and 2006, respectively.

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SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.**NOTES TO FINANCIAL STATEMENTS**

The cooperative's tariffs for electric service include wholesale power cost adjustment clauses under which electric rates charged to customers are adjusted to reflect changes in the cost of power. Annual changes in these amounts appear as over and under billed revenue on the statement of income.

Patronage Capital Certificates

Patronage capital from associated organizations is recorded at the stated amount of the certificates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the cooperative considers cash-general, and temporary cash investments to be cash equivalents.

Group Concentration of Credit Risk

The cooperative's headquarters facility is located in Willcox, Arizona. The service area includes members located in a multi-county area of southeastern Arizona. The cooperative records a receivable for electric revenues as billed on a monthly basis. The cooperative requires a deposit from its members upon connection which is applied to unpaid bills in the event of default. The deposit accrues interest and is returned along with accrued interest after one year of prompt payments. As of June 30, 2007 and 2006, deposits on hand were \$1,547,847 and \$1,247,936, respectively.

The cooperative places its demand deposits with financial institutions that are members of the Federal Deposit Insurance Corporation which insures deposits up to a maximum of \$100,000. At various times during the year, cash balances were in excess of the FDIC coverage.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Financial Information

Certain amounts in the prior period financial statements have been reclassified in order to conform to current period presentation.

2. Assets Pledged

Substantially all assets are pledged as security for the long-term debt due the National Rural Utilities Cooperative Finance Corporation (CFC).

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SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.**NOTES TO FINANCIAL STATEMENTS****3. Electric Plant**

The major classes of electric plant are as follows:

	June 30,	
	2007	2006
Intangible Plant	\$ 46,500	\$ 46,500
Transmission Plant	9,888,608	7,502,470
Distribution Plant	171,064,130	154,019,349
General Plant	24,048,346	21,056,987
Total Electric Plant in Service	\$ 205,047,584	\$ 182,625,306
Construction Work in Progress	16,589,528	15,748,086
Total Electric Plant	\$ <u>221,637,112</u>	\$ <u>198,373,392</u>

Provision for depreciation of electric plant is computed using straight-line rates as follows:

Transmission Plant	
Station Equipment	2.75%
Poles, Towers, and Fixtures	2.75%
Overhead Conductors and Devices	2.75%
Distribution Plant	
Station Equipment	3.20%
Poles, Towers, and Fixtures	4.00%
Overhead Conductors and Devices	2.80%
Underground Conduit	2.30%
Underground Conductors and Devices	5.90%
Line Transformers	3.10%
Services	3.60%
Meters	3.40%
Installations on Consumers' Premises	4.40%
Street Lighting and Signal Systems	4.30%

The cooperative computes depreciation on transmission and distribution plant by applying the above rates to the individual plant accounts. This is done to provide necessary detail information to the Arizona Corporation Commission.

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SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.**NOTES TO FINANCIAL STATEMENTS**

General plant depreciation rates have been applied on a straight-line basis and are as follows:

Structures and Improvements	3.00%
Office Furniture and Fixtures	6.00%
Computer Equipment	12.50% and 16.00%
Transportation Equipment	20.00%
Stores Equipment	6.00%
Power Operated Equipment	12.00%
Communications Equipment	6.00%
Miscellaneous Equipment	6.00%
Tools, Shop, and Garage Equipment	6.00%

Depreciation and amortization for the years ended June 30, 2007 and 2006, was \$7,562,721 and \$6,586,061, respectively, of which \$6,709,189 and \$5,728,457 was charged to depreciation and amortization expense, and \$853,532 and \$857,604 allocated to other accounts.

4. Investments in Associated Organizations

Investments in associated organizations consisted of the following as of June 30, 2007 and 2006:

	June 30,	
	2007	2006
CFC		
Capital Term Certificates	\$ 3,245,325	\$ 3,008,854
Patronage Capital	725,521	658,046
Membership	1,000	1,000
	<u>\$ 3,971,846</u>	<u>\$ 3,667,900</u>
Arizona Electric Power Cooperative, Inc.		
Patronage Capital	\$ 6,151,212	\$ 6,151,212
Other	<u>198,718</u>	<u>178,212</u>
	<u>\$ 10,321,776</u>	<u>\$ 9,997,324</u>

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SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

5. Other Investments

	June 30,	
	2007	2006
Member Loans	\$ 199,439	\$ 177,421
Homestead Funds, Inc. - At Fair Value	<u>334,224</u>	<u>242,204</u>
	<u>\$ 533,663</u>	<u>\$ 419,625</u>

6. Inventories - At Average Cost

Inventories consist of:

	June 30,	
	2007	2006
Materials and Supplies	\$ 2,297,448	\$ 1,157,658
Resale Material	<u>11,360</u>	<u>44,969</u>
	<u>\$ 2,308,808</u>	<u>\$ 1,202,627</u>

7. Deferred Charges

Deferred charges consist of:

	June 30,	
	2007	2006
Work Plan	\$ 61,130	\$ 16,172
Prepaid Income Taxes	36,121	116,000
Clearing - Inventory Adjustment	24,902	
Deferred Income - All Electric Homes	329,566	146,943
Other Deferred Charges	<u>109,360</u>	<u>23,662</u>
	<u>\$ 561,079</u>	<u>\$ 302,777</u>

During 2006, the cooperative began providing rebates for those members that have all electric homes and water heaters. The amount of the rebates is being written off over a three year period. The cooperative expensed \$138,427 and \$29,389, in 2007 and 2006, respectively.

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SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.**NOTES TO FINANCIAL STATEMENTS**

During 2003, the cooperative incurred \$248,136 in long-term debt conversion costs associated with refinancing various notes to fixed rates currently available. This amount was written off over three years. The cooperative expensed \$0 and \$82,712, in 2007 and 2006, respectively.

8. Return of Capital

Under the provisions of the mortgage agreements, until the equities and margins equal or exceed 20% of the total assets of the cooperative, the return to patrons of capital contributed by them is limited generally to 25% of the patronage capital or margins received by the cooperative in the prior calendar year. The equities and margins of the cooperative represent 25.6% of the total assets as of June 30, 2007. Patronage capital totaling \$294,352 and \$500,002 was retired during the years ended June 30, 2007 and 2006, respectively, and was within the guidelines set by CFC for the return of capital.

9. Patronage Capital

	June 30,	
	2007	2006
Assigned	\$ 54,751,282	\$ 49,992,738
Assignable	3,599,503	5,799,065
	\$ 58,350,785	\$ 55,791,803
Less: Retired	12,467,036	12,174,487
	\$ 45,883,749	\$ 43,617,316

10. Other Equities

	June 30,	
	2007	2006
Capital Gains and Losses	\$ (22,969)	\$
Nonoperating Margins	(815,733)	
	\$ (838,702)	\$ 0

Future year's non-operating margins will be applied to the unallocated deficit until they are fully absorbed.

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SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.**NOTES TO FINANCIAL STATEMENTS****11. Mortgage Notes – CFC**

Following is a summary of long-term debt due CFC and maturing at various times from 2009 to 2044.

	June 30,	
	2007	2006
Fixed Rate Notes:		
2006 - Interest Rates 2.95% to 6.75%	\$ -	\$ 82,659,103
2007 - Interest Rates 2.95% to 6.95%	99,816,445	
	<u>\$ 99,816,445</u>	<u>\$ 82,659,103</u>
Less: Current Maturities	<u>4,050,687</u>	<u>4,311,103</u>
	<u>\$ 95,765,758</u>	<u>\$ 78,348,000</u>

Principal and interest installments on the above notes are due quarterly. As of June 30, 2007, annual maturities of long-term debt due CFC for the next five years are as follows:

2008	\$ 4,050,687
2009	3,686,949
2010	3,524,386
2011	3,409,003
2012	3,350,174

The cooperative has \$6,864,000 of unadvanced loan funds available.

12. Notes Payable – Fort Huachuca

In conjunction with the contract to provide distribution maintenance and operation services for Fort Huachuca the cooperative agreed to purchase the existing facilities on the fort. The agreed upon price of \$1,799,830 is being financed by the fort over 15 years at a fixed interest rate of 10.75%. Monthly payments total \$20,175.

As of June 30, 2007, annual maturities of long-term debt due Fort Huachuca for the next five years are as follows:

2008	\$ 66,760
2009	74,302
2010	82,695
2011	92,036
2012	102,432

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SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.**NOTES TO FINANCIAL STATEMENTS****13. Short-Term Borrowing**

The cooperative has a \$8,500,000 line of credit for short-term financing with CFC at an interest rate of 6.90% and 6.75% for the years ended June 30, 2007 and 2006, respectively. The cooperative had an outstanding amount of \$7,090,000 and \$5,996,828 under such agreement at June 30, 2007 and 2006, respectively.

14. Deferred Credits

Deferred credits consist of:

	June 30,	
	2007	2006
Consumer Advances for Construction	\$ 4,405,157	\$ 4,180,127
Undelivered Patronage Capital Refunds	303,232	1,013,150
Renewable Energy Project	1,241,623	214,988
Fort Huachuca - Deferred Revenue	702,705	
Other Deferred Credits	738,932	287,171
	<u>\$ 7,391,649</u>	<u>\$ 5,695,436</u>

Consumer Advances for Construction represents refundable aid to construction on line extensions and subdivision construction contracts. Any amounts remaining after five years are forfeited to the cooperative and charged against construction work in progress.

Undeliverable Patronage Capital Refunds represents uncashed capital credit checks to members. Periodically, the cooperative will transfer unclaimed capital credits due to members to the foundation.

Renewable Energy Project represents collections from members to be used in the installation of solar panels through the cooperative's service area. The cooperative is in the process of obtaining permission from the Commission to pursue projects related to other renewable energy sources.

Fort Huachuca - Deferred Revenue represents the amount billed per the contract with Fort Huachuca for renewals and replacements of which the costs have yet to be incurred by the cooperative.

15. Pension Benefits

Pension benefits for substantially all employees are provided through participation in the National Rural Electric Cooperative Association (NRECA) Retirement & Security program, a defined benefit pension plan qualified under section 401 and tax exempt under section 501(a) of the Internal Revenue Code. In this multi-employer plan, which is available to all member cooperatives of NRECA, the accumulated benefits and plan assets are not determined or allocated by individual employer. The Retirement and Security Program has periodically been under moratorium due to the plan reaching full funding limitation. Due to funding limitations imposed by federal law, the plan at times must put a moratorium on contributions. The resulting pension cost to the cooperative was \$1,399,840 and \$1,124,039, for the years ended June 30, 2007 and 2006, respectively.

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SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.**NOTES TO FINANCIAL STATEMENTS**

The cooperative is also a participant in the NRECA 401(k)-savings plan, a defined contribution plan. The cost to the cooperative under this plan for the years ended June 30, 2007 and 2006, was \$199,986 and \$181,716, respectively.

16. Other Long-Term Liabilities

The cooperative has provided a deferred compensation plan for certain employees under benefit programs. The liability resulting from these programs is as follows:

	June 30,	
	2007	2006
Employee Deferred Compensation Program	\$ <u>334,224</u>	\$ <u>242,204</u>

17. Postretirement Benefits

The cooperative provides postretirement benefits for eligible employees through a plan with NRECA.

For any employee that retires after December 31, 2001, the retiree pays the full pre-65 premium and the premium for an individual Medicare Supplement Policy. For employees that retired on or before December 31, 2001, the cooperative pays \$1,250 toward the pre-65 premium and \$1,250 towards an individual Medicare Supplement Policy.

The weighted-average discount rate used to develop the accumulated postretirement benefit obligation was seven percent. The assumed health care cost trend rate is 10% in 2003, declining to an ultimate level of 5.5% in 2009.

Amounts recognized in the cooperative's June 30, 2007 and 2006, financial statements and funded status of the plan is as follows:

	June 30,	
	2007	2006
I) Net Postretirement Benefit Cost		
Interest Cost	\$ 24,900	\$ 24,900
Service Cost	36,700	36,700
Prior Service Cost	<u>(7,700)</u>	<u>(7,700)</u>
II) Accumulated Postretirement Benefit Obligation	\$ <u>53,900</u>	\$ <u>53,900</u>
(APBO) Reconciliation		
APBO Balance at Beginning of Year	\$ 551,054	\$ 546,684
Interest Cost	36,700	36,700
Service Cost	24,900	24,900
Prior Service Cost	(7,700)	(7,700)
Benefits Paid	<u>(46,330)</u>	<u>(49,530)</u>
Net Postretirement Benefit Liability at End of Year	\$ <u>558,624</u>	\$ <u>551,054</u>

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SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.**NOTES TO FINANCIAL STATEMENTS**

The cooperative has not funded plan assets as of June 30, 2007.

The cooperative considered the implementation of Statement of Financial Accounting Standards (SFAS) No. 158, Employers' Accounting for Defined Benefit Pension and other Postretirement Plans and determined that SFAS No. 158 recognition would not materially affect the financial statements.

18. Litigation and Commitments

The cooperative is included in civil litigation cases instituted by the cooperative for the purpose of collecting delinquent accounts receivable from certain members/owners.

The cooperative has executed a contract to purchase all of its electric power requirements from Arizona Electric Power Cooperative, Inc. (AEP CO). The contract is effective through December 31, 2035. At this time the cooperative is negotiating with AEP CO to become a partial requirements customer.

The cooperative with other Class "A" members of AEP CO has guaranteed to provide its share of power to Salt River Project in the event that AEP CO cannot perform under its firm power agreement.

19. Related Party Transactions

The cooperative is represented on the Board of Directors of Arizona Electric Power Cooperative, Inc. (AEP CO) and purchases all of its electric power from AEP CO. Margins earned by AEP CO have been allocated to Sulphur Springs Valley Electric Cooperative, Inc., and are reflected under investment in associated organizations on the balance sheet. During the years ended June 30, 2007 and 2006, the cooperative purchased electric power from AEP CO of \$54,337,168 and \$45,111,247, respectively. Amounts payable to AEP CO as of June 30, 2007 and 2006, from the cooperative amounted to \$6,135,482 and \$5,332,448, respectively. Allocations of patronage capital to the cooperative from AEP CO are reflected as investments in associated organizations on the cooperative's balance sheet. No allocations were made to the cooperative during the years ended June 30, 2007 and 2006.

The cooperative through common board oversight and management provides various accounting and management support and services to two individual non-profit organizations: Sulphur Springs Valley Electric Cooperative Charitable Trust and Sulphur Springs Valley Electric Foundation.

Sulphur Springs Valley Electric Cooperative Charitable Trust is a non-profit organization, tax exempt under Internal Revenue Code 501 (c) 3, and organized to provide necessary assistance to individuals, families, organizations and agencies in need, within the cooperative's service area. Under the cooperative's Operation Roundup Program, certain members of the cooperative have elected to have their power bill rounded up to the next whole dollar. All proceeds from this program are transferred to the charitable trust and represent the main source of income to the charitable trust.

Sulphur Springs Valley Electric Cooperative Foundation is a non-profit organization, tax exempt under Internal Revenue Code section 501 (c) 3, and organized primarily to fund the Washington Youth Tour.

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SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.**NOTES TO FINANCIAL STATEMENTS**

Youth Energy Science (YES) Fair, educational scholarships and other qualified programs. The cooperative foundation is primarily funded through retired and unclaimed capital credits of the cooperative as defined by the by-laws of the cooperative and the laws of the State of Arizona.

20. Operating Leases

The cooperative has executed operating leases in which the cooperative leases a portion of its Sierra Vista office facility to other parties. The leases vary in term and renewal options. The cooperative recognized \$25,545 and \$30,156 as lease revenue for the years ended June 30, 2007 and 2006, respectively. The lease was terminated April, 2007.

21. Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107, Disclosures About Fair Value of Financial Instruments, requires disclosure of fair value information about financial instruments. Many of the cooperative's financial instruments lack an available market as characterized by a normal exchange between a willing buyer and a willing seller. Accordingly, significant assumptions, estimations, and present value calculations were used for purposes of this disclosure.

The following assumptions were used to estimate fair value of each class of financial instrument for which estimation is practicable.

Patronage Capital from Associated Organization – The right to receive cash is an inherent component of a financial instrument. The cooperative holds no right to receive cash since any payments are at the discretion of the governing body for the associated organizations. As such, Patronage Capital from Associated Organizations is not considered a financial instrument.

CFC Capital Term Certificates – It is not practicable to estimate fair value for these financial instruments given the lack of a market and their long holding period.

Cash and Temporary Cash Investments – Carrying value, given the short period to maturity.

Long-Term Debt Variable Rate – Carrying value, since these notes reprice frequently at market rates.

Long-Term Debt Fixed Rate – Estimated by computing the present value by individual note to maturity, using currently quoted or offered rates for similar issues of debt. The year end CFC fixed interest rate for long-term debt available for notes with the same term remaining was used in the calculation for all fixed rate long-term debt. These are the only financial instruments of the cooperative that have a difference in Fair Value and Carrying Value. The carrying value of the cooperative's fixed rate debt is \$101,410,770. The estimated fair value was calculated to be \$91,196,045.

ACCOMPANYING INFORMATION

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CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' REPORT ON INFORMATION
ACCOMPANYING THE BASIC FINANCIAL STATEMENTS**

Our audits of the basic financial statements presented in the preceding section of this report were made for the purpose of forming an opinion on such financial statements taken as a whole. The accompanying information shown on pages 17 through 24 is presented for purposes of additional analysis. Such information, except for that portion marked "Unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion the information, except for that portion marked "Unaudited", is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

September 10, 2007

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SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

Schedule 1

ELECTRIC PLANT
FOR THE YEAR ENDED JUNE 30, 2007

	Balance 7/1/2006	Additions and Reclassi- fications	Retirements	Balance 6/30/2007
CLASSIFIED ELECTRIC PLANT IN SERVICE				
Intangible Plant	\$ 46,500	\$	\$	\$ 46,500
Transmission Plant				
Land and Land Rights	\$ 49,331	\$ 524,770	\$	\$ 574,101
Station Equipment	933,201			933,201
Poles, Towers, and Fixtures	2,850,462	145,395	34,279	2,761,578
Overhead Conductors and Devices	3,869,476	1,776,890	26,638	5,619,728
Total	\$ 7,502,470	\$ 2,447,055	\$ 60,917	\$ 9,888,608
Distribution Plant				
Land and Land Rights	\$ 124,707	\$	\$	\$ 124,707
Structures and Improvements	5,191			5,191
Station Equipment	16,878,957	1,024,290	5,274	17,897,973
Poles, Towers, and Fixtures	30,091,713	2,983,920	848,516	32,227,117
Overhead Conductors and Devices	20,227,157	2,538,548	1,106,827	21,658,878
Underground Conduit	12,928,342	2,537,884	21,365	15,444,861
Underground Conductors and Devices	18,582,123	5,174,381	106,863	23,629,641
Line Transformers	35,413,142	3,924,840	279,776	39,058,206
Services	8,174,730	272,304	69,600	8,377,434
Meters	8,384,426	1,176,065	231,445	9,329,046
Installations on Consumers' Premises	1,245,485	39,705	15,411	1,269,779
Street Light and Signal Systems	1,983,376	69,001	11,080	2,041,297
Total	\$ 154,019,349	\$ 19,740,938	\$ 2,696,157	\$ 171,064,130
General Plant				
Land and Land Rights	\$ 788,900	\$ 11,191	\$	\$ 800,091
Structures and Improvements	6,368,992	617,103		6,986,095
Office Furniture and Equipment	2,517,482	704,663	38,726	3,183,419
Transportation Equipment	3,181,012	773,735	64,815	3,889,932
Stores Equipment	293,929			293,929
Tools, Shop, and Garage Equipment	1,175,143	203,208	9,471	1,368,880
Laboratory Equipment	672,344	92,427		764,771
Power Operated Equipment	5,921,401	751,884	89,053	6,584,232
Communication Equipment	888,390	12,404		900,794
Miscellaneous Equipment	103,511	26,809		130,320
Net Aid to Plant Investment - Ft. Huachuca	(854,117)			(854,117)
Total	\$ 21,056,987	\$ 3,193,424	\$ 202,065	\$ 24,048,346
Total Classified Electric Plant In Service	\$ 182,625,306	\$ 25,381,417	\$ 2,959,139	\$ 205,047,584
Construction Work In Progress	15,748,086	841,442		16,589,528
Total Utility Plant	\$ 198,373,392	\$ 26,222,859	\$ 2,959,139	\$ 221,637,112

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SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

Schedule 2

ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION
FOR THE YEAR ENDED JUNE 30, 2007

	Balance 7/1/2006	Depreciation Accruals	Retirements	Balance 6/30/2007
Intangible Plant	\$ 46,500	\$	\$	\$ 46,500
Transmission Plant	\$ 4,579,774	\$ 249,938	\$	\$ 4,829,712
Distribution Plant	\$ 49,411,969	\$ 6,078,595	\$ 3,104,537	\$ 52,386,027
General Plant				
Structures and Improvements	\$ 2,116,662	\$ 129,666	\$	\$ 2,246,328
Office Furniture and Equipment	1,941,121	384,825	38,726	2,287,220
Transportation Equipment	2,387,481	355,349	57,786	2,685,024
Stores Equipment	164,890	12,381		177,271
Tools, Shop, and Garage Equipment	729,158	56,700	6,815	779,043
Laboratory Equipment	401,537	29,511		431,048
Power Operated Equipment	3,235,627	451,434	64,053	3,623,008
Communications Equipment	400,281	45,993		446,274
Miscellaneous Equipment	49,960	4,990		54,950
Total General Plant	\$ 11,426,697	\$ 1,470,849	\$ 167,380	\$ 12,730,166
Total Classified Electric Plant in Service	\$ 65,464,940	\$ 7,799,382	\$ 3,271,917	\$ 69,992,405
Retirement Work in Progress	(291,886)		(77,276)	(214,610)
Total	\$ 65,173,054	\$ 7,799,382	\$ 3,194,641	\$ 69,777,795

(1)

(2)

- (1) Charged to Depreciation and Amortization Expense
Charged to Clearing and Other Accounts

\$ 6,945,850
853,532
\$ 7,799,382

- (2) Cost of Units Retired and Sold
Add: Cost of Removal
Less: Salvage and Other Credits

\$ 2,959,139
325,984
90,482

Loss Due to Retirement

\$ 3,194,641

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SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.**Schedule 3****OTHER PROPERTY AND INVESTMENTS
JUNE 30, 2007 AND 2006**

	June 30,	
	2007	2006
NON-UTILITY PROPERTY		
Land Held for Future Substation Sites	\$ 115,029	\$ 115,029
INVESTMENTS IN ASSOCIATED ORGANIZATIONS		
Memberships		
National Rural Utilities Cooperative Finance Corporation	\$ 1,000	\$ 1,000
Other	10	10
Patronage Capital		
National Rural Utilities Cooperative Finance Corporation	725,521	658,046
Arizona Electric Power Cooperative, Inc.	6,151,212	6,151,212
National Rural Telecommunications Cooperative	31,492	24,702
Federated Rural Electric Insurance Exchange	164,507	151,016
National Information Systems Cooperative	2,709	2,484
Capital Term Certificates		
National Rural Utilities Cooperative Finance Corporation	3,245,325	3,008,854
Total Investments in Associated Organizations	\$ 10,321,776	\$ 9,997,324
OTHER INVESTMENTS		
Member Loans Receivable	\$ 199,439	\$ 177,421
Homestead Funds, Inc.	334,224	242,204
Total Other Investments	\$ 533,663	\$ 419,625
Total Other Property and Investments	\$ 10,970,468	\$ 10,531,978

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SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

Schedule 4

PATRONAGE CAPITAL
JUNE 30, 2007

Year	Assignable	Assigned		Retired	Balance
		SSVEC	AEPCO		
1960 +	\$	\$ 1,962,967	\$	\$ 1,962,967	\$
1963			20,147	20,147	
1964		38,601	38,390	76,991	
1965		164,927		164,927	
1970		6,888	107,978	114,866	
1971			110,214	110,214	
1972		316,026	131,655	447,681	
1973		552,047	228,668	780,715	
1974		351,822		351,822	
1975		187,983		187,983	
1976		43,754		43,754	
1977		373,156		373,156	
1978		427,875		427,875	
1979		557,380		557,380	
1980		1,861,471		1,861,471	
1981		1,221,186		1,221,186	
1982		631,366		631,366	
1983		396,749		396,749	
1984		534,630		534,630	
1985		542,575		542,575	
1986		913,573		10	913,563
1987		717,893			717,893
1988		429,716			429,716
1989		2,097,639			2,097,639
1990		1,536,891			1,536,891
1991		1,056,601			1,056,601
1992		636,830			636,830
1993		1,747,920			1,747,920
1994		2,297,104		286,839	2,010,265
1995		1,559,057		194,754	1,364,303
1996		1,514,534		189,200	1,325,334
1997		1,561,900		195,217	1,366,683
1999		2,557,142			2,557,142
2000		3,262,510			3,262,510
2001		2,772,943	1,916,729		4,689,672
2002		2,585,107	2,931,416	542,561	4,973,962
2003		2,383,110	1,303,017		3,686,127
2004		3,591,167		250,000	3,341,167
2005		4,571,696			4,571,696
2006	3,384,374				3,384,374
2007 (6 months)	215,129				215,129
Adjustments		(1,668)			(1,668)
	\$ 3,599,503	\$ 47,963,068	\$ 6,788,214	\$ 12,467,036	\$ 45,883,749

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SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

Schedule 5

CFC MORTGAGE NOTES
JUNE 30, 2007

Note Number	Date of Note	Interest Rate	Principal Amount	Amount Unadvanced	Principal Repayments	Net Obligations
9002	03-31-74	3.75%	\$ 750,000	\$	\$ 650,506	\$ 89,494
9004	05-13-75	3.75%	820,000		658,250	161,750
9007	03-13-77	3.75%	622,000		430,078	191,922
9010	03-31-78	6.30%	644,000		403,193	240,807
9013	03-31-80	6.55%	2,171,000		1,138,316	1,032,684
9016	05-31-82	5.80%	1,988,000		851,031	1,136,969
9017	08-20-84	3.75%	2,104,000		817,939	1,286,061
9018	09-30-86	6.55%	3,520,833		1,153,222	2,367,611
9019	03-31-89	3.75%	2,401,042		602,242	1,798,800
9020	01-29-93	3.75%	1,781,250		427,079	1,354,171
9021	01-19-94	3.75%	1,808,333		381,936	1,426,397
9022	04-26-95	3.75%	1,705,000		259,336	1,445,664
9023	07-01-98	6.55%	3,714,000		306,305	3,407,695
9026	03-31-02	Various (1)	18,281,090		889,012	17,391,988
9027	03-31-02	4.90%	2,878,000		222,009	2,655,991
9028	03-19-04	6.75%	9,270,000		344,297	8,925,703
9029	12-31-03	Various (2)	28,304,131		12,393,518	15,910,613
9030		Various (3)	48,364,000	6,864,000	507,875	38,992,125
Total CFC			\$ 129,126,589	\$ 6,864,000	\$ 22,446,144	\$ 99,816,445

(1) - Interest rates range from 4.80% to 5.30%.

(2) - Interest rates range from 2.95% to 5.65%.

(3) - Interest rates range from 5.60% to 6.95%

Net obligation includes \$4,050,687 due CFC payable within one year and classified as current liabilities on the balance sheet.

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SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.**Schedule 6****ADMINISTRATIVE AND GENERAL EXPENSES AND TAXES
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	June 30,		Increase (Decrease)
	2007	2006	
ADMINISTRATIVE AND GENERAL EXPENSES			
Administrative and General Salaries	\$ 1,684,348	\$ 1,528,999	\$ 155,349
Office Supplies and Expense	324,992	416,131	(91,139)
Outside Services Employed	476,454	395,689	80,765
Injuries and Damages	76,523	59,497	17,026
Directors' Fees and Mileage	188,390	216,011	(27,621)
Dues Paid Associated Organizations	138,757	146,230	(7,473)
Ft Huachuca General and Administrative	163,678	87,927	75,751
Miscellaneous General Expenses	239,437	276,803	(37,366)
Capital Credits	16,410	9,518	6,892
Maintenance of General Property	32,893	75,456	(42,563)
Total	\$ <u>3,341,882</u>	\$ <u>3,212,261</u>	\$ <u>129,621</u>

TAXES

Franchise	\$ <u>926,564</u>	\$ <u>702,087</u>	\$ <u>224,477</u>
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SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

Schedule 7

FIVE YEAR COMPARATIVE DATA

Financial Data	Years Ended June 30,				
	2007	2006	2005	2004	2003
OPERATING REVENUES					
Residential	\$ 41,438,393	\$ 36,620,450	\$ 33,189,865	\$ 31,976,770	\$ 29,192,851
Irrigation	10,992,547	9,419,697	6,270,281	5,227,040	4,812,129
Commercial and Industrial	30,805,165	27,042,668	24,622,173	23,493,229	22,378,760
Public Buildings and Other Authorities	2,915,219	2,216,057	348,298	348,169	372,041
Power Adjustment (Over) Underbilled	(176,949)	560,148	(1,759,682)	1,102,095	753,718
Rent from Electric Property	514,796	1,424,642	510,683	358,495	370,825
Other Operating Revenues	741,243	689,150	648,028	689,064	674,516
Total Operating Revenues	\$ 87,230,414	\$ 77,972,812	\$ 63,829,846	\$ 63,174,862	\$ 58,554,840
OPERATING EXPENSES					
Purchased Power	\$ 54,337,168	\$ 45,111,247	\$ 36,208,652	\$ 35,444,526	\$ 33,368,724
Transmission	173,915	490,086	202,377	213,908	447,049
Distribution - Operation	8,236,856	7,829,911	6,736,977	6,951,217	6,398,321
Distribution - Maintenance	2,449,845	2,188,134	1,736,525	2,022,411	1,928,318
Customer Accounts	2,756,080	2,542,412	2,600,468	2,629,489	3,225,622
Customer Service and Information	649,513	657,004	599,813	660,875	737,990
Sales Expense	553,096	501,857	317,628	335,689	367,289
Administrative and General	3,341,862	3,212,261	2,663,899	2,769,907	2,232,527
Depreciation and Amortization	6,709,189	5,728,457	5,320,877	4,954,872	4,713,112
Taxes	926,564	702,087	627,592	594,011	536,955
Other Interest	303,874	156,140	90,909	60,932	41,481
Other Deductions	174,306	138,638	84,397	110,124	71,458
Total Operating Expenses	\$ 80,612,288	\$ 69,258,234	\$ 57,190,114	\$ 56,747,961	\$ 54,068,826
OPERATING MARGINS - Before Fixed Charges					
	\$ 6,618,126	\$ 8,714,578	\$ 6,639,532	\$ 6,426,901	\$ 4,486,014
FIXED CHARGES					
Interest on Long-Term Debt	5,188,780	4,460,641	3,705,354	3,085,088	3,034,705
Amortization of Conversion Fees		82,712	82,712	82,712	
	\$ 5,188,780	\$ 4,543,353	\$ 3,788,066	\$ 3,167,800	\$ 3,034,705
OPERATING MARGINS - After Fixed Charges					
	\$ 1,429,346	\$ 4,171,225	\$ 2,851,466	\$ 3,259,101	\$ 1,451,309
Other Capital Credits	405,203	289,097	203,690	128,694	1,428,895
NET OPERATING MARGINS	\$ 1,834,549	\$ 4,460,322	\$ 3,055,156	\$ 3,387,795	\$ 2,880,204
NONOPERATING MARGINS					
Interest Income	\$ 120,778	\$ 111,895	\$ 111,874	\$ 112,580	\$ 124,681
Other Nonoperating Income (Expense)	(233,244)	310,201	742,846	(74,537)	(291,240)
	\$ (112,466)	\$ 422,096	\$ 854,720	\$ 38,043	\$ (166,559)
NET MARGINS	\$ 1,722,083	\$ 4,882,418	\$ 3,909,876	\$ 3,425,838	\$ 2,713,645
Miscellaneous Statistics					
MWH Sales	754,001	735,010	661,688	627,364	598,744
Times Interest Earned Ratio	1.33	2.09	2.06	2.11	1.89
Debt Service Coverage	1.45	1.73	1.66	1.46	2.02
Equity to Total Assets	25.6	28.5	28.1	29.6	29.7
Equity to Total Capitalization	30.0	34.2	32.8	33.2	34.3

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SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

Schedule 8

**STATEMENT OF INCOME AND PATRONAGE CAPITAL
FOR THE CALENDAR YEARS 2006 AND 2005
UNAUDITED**

	December 31,	
	2006	2005
OPERATING REVENUES	\$ 83,432,186	\$ 70,529,714
OPERATING EXPENSES		
Cost of Power	\$ 50,325,722	\$ 39,657,238
Transmission Expense	409,638	261,269
Distribution - Operation	8,305,989	7,533,650
Distribution - Maintenance	2,242,675	2,140,561
Consumer Accounts	2,678,854	2,593,333
Customer Service, Information, and Sales	1,170,624	1,041,165
Administrative and General	3,138,164	2,932,818
Depreciation and Amortization	6,078,576	5,513,746
Taxes	783,728	617,202
Other Deductions	415,175	237,506
Total Operating Expenses	\$ 75,549,143	\$ 62,528,488
OPERATING MARGINS - Before Fixed Charges		
Charges	\$ 7,883,043	\$ 8,001,226
FIXED CHARGES		
Interest on Long-Term Debt	4,807,890	4,032,440
OPERATING MARGINS - After Fixed Charges	\$ 3,075,153	\$ 3,968,786
Capital Credits	402,783	283,525
Net Operating Margins	\$ 3,477,936	\$ 4,252,311
NONOPERATING MARGINS		
Interest Income	\$ 112,731	\$ 121,360
Other Nonoperating Income (Expense)	(206,293)	367,741
Total	\$ (93,562)	\$ 489,101
NET MARGINS	\$ 3,384,374	\$ 4,741,412

COMPLIANCE AND INTERNAL CONTROL SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8218 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1054

**LETTER TO BOARD OF DIRECTORS REGARDING POLICIES
CONCERNING AUDITS OF CFC BORROWERS**

Board of Directors
Sulphur Springs Valley Electric Cooperative, Inc.
Willcox, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of Sulphur Springs Valley Electric Cooperative, Inc. as of June 30, 2007, and the related statements of income and patronage capital and cash flows for the year then ended, and have issued our report thereon dated September 10, 2007.

In connection with our audit, nothing came to our attention that caused us to believe that the Cooperative failed to comply with the terms of Article V of the National Rural Utilities Cooperative Finance Corporation Loan Agreement insofar as they relate to accounting matters. However, our audits were not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Boards of Directors and management of Sulphur Springs Valley Electric Cooperative, Inc. and the National Rural Utilities Cooperative Finance Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

September 10, 2007

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3808

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1054

To the Board of Directors
Sulphur Springs Valley Electric Cooperative, Inc.
Willcox, Arizona

In planning and performing our audit of the financial statements of Sulphur Springs Valley Electric Cooperative, Inc. for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we noted certain matters involving the internal control structure and its operation that we consider to be control deficiencies under standards established by the American Institute of Certified Public Accountants.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following to be control deficiencies:

During the audit, we noted that the cooperative had failed to maintain proper controls over materials inventory. The warehouse supervisor had the ability to issue materials to work orders before the materials were requested by the line crew. Due to the absence of the warehouse supervisor during the physical inventory count, inventory cutoff procedures were difficult to accurately establish. This practice contributed to significant differences between the physical inventory count and the perpetual inventory records. We recommend that the cooperative communicate to the warehouse that issuing materials prior to line crew request is unacceptable, and the cooperative properly supervises the warehouse personnel to ensure that proper procedures are being followed.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. The control deficiency stated above is not considered to be a material weakness.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

Bolinger, Segars, Gilbert & Moss L.L.P.

Certified Public Accountants

September 10, 2007

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-5806

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

September 10, 2007

Board of Directors
Sulphur Springs Valley Electric Cooperative, Inc.
Willcox, Arizona

As part of our responsibility in the conduct of the audit for the period ended June 30, 2007, we are required to determine that certain matters related to the conduct of the audit are communicated to those who have responsibility for oversight of the financial reporting process. It is our understanding that the oversight of the financial reporting process is your responsibility, and as such, this communication is directed to you.

Auditors' Responsibility Under U. S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 22, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U. S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. As part of our audit, we considered the internal control of the Sulphur Springs Valley Electric Cooperative, Inc. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the organization are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the audit period. We noted no transactions entered into by the organization during the audit period that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates can be particularly

Board of Directors
Sulphur Springs Valley Electric Cooperative, Inc.
September 10, 2007
Page 2

sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We feel these estimates are reasonable for the audit period.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the organization's financial reporting process (that is, cause future financial statements to be materially misstated). Attached to this letter are the adjustments made as a part of this audit. These adjustments are considered to be significant to the financial reporting process, either individually or in the aggregate. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Other Information in Documents Containing Audited Financial Statements

We are not aware of any client-prepared documents that include the audited financial statements and that contain other information.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to contact us to determine whether the consultant has all the relevant facts. To our knowledge, management has not consulted with other accountants about auditing and accounting matters.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the organization's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Board of Directors
Sulphur Springs Valley Electric Cooperative, Inc.
September 10, 2007
Page 3

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties with management in performing and completing our audit.

This information is intended solely for the use of those with the oversight responsibility over the financial reporting process, including the audit committee, Board of Directors, and management, and is not intended to be and should not be used by anyone other than these specified parties. If you should have any questions or wish to discuss any of the items referred to above in further detail, please do not hesitate to contact our office.

Balinger, Segars, Gilbert & Moore LLP

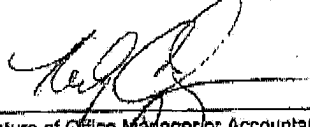
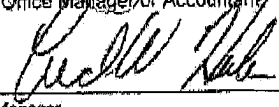
Certified Public Accountants

Client: Sulphur Springs Valley Electric Cooperative, Inc.
 Engagement: 2007 SSVEC
 Period Ending: 6/30/2007
 Workpaper: Adjusting Journal Entry Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entry JE # 1				
To Record Retainage owed on contracts for construction				
107,240	CONSTR. WORK IN PROGRESS FORCE		168,866.40	
107,320	CONSTR. WORK IN PROGRESS MISC.		147,739.60	
232,100	ACCOUNTS PAYABLE			316,606.14
Total			<u>316,606.14</u>	<u>316,606.14</u>
Adjusting Journal Entry JE # 2				
Client Prepared AJE for reclass of Payroll Taxes				
236,300	U.S. SOCIAL SECURITY TAX FICA	236.30	440,629.03	
236,700	ACCURED MEDICARE TAX PAYABLE			440,629.03
Total			<u>440,629.03</u>	<u>440,629.03</u>
Adjusting Journal Entry JE # 3				
To reclassify billing to Ft. Huachuca on depreciation recognized				
253,970	FORT HUACHUCA DEFERRED REVENUE	253.97	236,661.48	
403,970	DEPRECIATION EXPENSE-FT HUACHUCA BUILDING			236,661.48
Total			<u>236,661.48</u>	<u>236,661.48</u>
Adjusting Journal Entry JE # 4				
To set up unadvanced portion of long term debt				
224,130	CFC Notes Executed Debit	224.13	6,864,000.00	
224,120	OTHER LONG-TERM DEBT CFC			6,864,000.00
Total			<u>6,864,000.00</u>	<u>6,864,000.00</u>
Adjusting Journal Entry JE # 5				
To reverse client adjustment to accrue property taxes				
107,240	CONSTR. WORK IN PROGRESS FORCE		10,064.87	
163,000	STORES EXPENSE		1,005.25	
164,400	GARAGE OVERHEAD		886.45	
416,200	COST OF MERCHANDISING-SURGE PR		40.79	
562,000	EXPENSES - STATION		1,810.04	
563,000	EXP - TRANSPORTATION O/H LINE		8,869.29	
562,600	Exp. Station		10,061.54	
563,000	EXP. O/H LINE		75,353.88	
564,600	EXP - UNDERGROUND LINE		59,021.43	
565,000	EXP-STREETLIGHTS & SIGNAL SYST		1,975.99	
560,000	EXP. METER		9,189.95	
667,000	EXP-CONSUMER INSTALLATION		1,241.12	
663,000	CUST. RECORDS & COLLECTION EXP		1,192.73	
621,000	OFFICE SUPPLIES & EXPENSE		3,804.87	
236,100	ACCURED PROPERTY TAXES			180,528.06
Total			<u>180,528.06</u>	<u>180,528.06</u>
Adjusting Journal Entry JE # 6				
To record depreciation on Ft. Huachuca assets				
403,970	DEPRECIATION EXPENSE-FT HUACHUCA BUILDING	168.97	270,931.00	
106,970	ACCUM DEPREC - FT HUACHUCA ASSETS			270,931.00
Total			<u>270,931.00</u>	<u>270,931.00</u>

Client: Sulphur Springs Valley Electric Cooperative, Inc.
 Engagement: 2007 SSVEC
 Period Ending: 6/30/2007
 Workpaper: Adjusting Journal Entry Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entry JE # 7				
To reclassify workorder related to stolen material and other materials errors				
104.600	INVENTORY SHORTAGES OR OVERAGE	107.34	123,288.21	
426.000	MISC. INCOME DEDUCTION		29,029.00	
107.340	CONSTR. WORK IN PROGRESS FORCE			152,317.21
Total			<u>152,317.21</u>	<u>152,317.21</u>
Adjusting Journal Entry JE # 8				
To record accelerated depreciation on meters being abandoned with replacement of AMR metering				
403.500	DEPR. DIST. PLANT	108.68	190,404.95	
108.680	PROV. DPR. DIST. PLANT METERS			190,404.95
Total			<u>190,404.95</u>	<u>190,404.95</u>

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT Submit one electronic copy and one signed hard copy to CFC. Round all numbers to the nearest dollar.	BORROWER DESIGNATION A2014 BORROWER NAME Safford Springs Valley Electric Coop. INC. ENDING DATE 12/31/2007
We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.	
Signature of Office Manager/Accountant:  Date: 2/19/08 Signature of Manager:  Date: 3/2/08	NEW AUTHORIZATION CHOICES A. NRECA uses rural electric system data for legislative, regulatory and other purposes. May we provide this report from your system to NRECA? <div style="display: flex; justify-content: space-around; margin-top: 5px;"> NRECA <input checked="" type="radio"/> YES <input type="radio"/> NO </div> B. Will you authorize CFC to share your data with other cooperatives? <div style="display: flex; justify-content: space-around; margin-top: 5px;"> <input checked="" type="radio"/> YES <input type="radio"/> NO </div>

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	THIS MONTH (d)
1. Operating Revenue and Patronage Capital	83,463,534	92,912,966	89,682,200	7,213,586
2. Power Production Expense				
3. Cost of Purchased Power	50,325,722	58,128,432	53,703,509	4,527,743
4. Transmission Expense	409,638	250,287	400,300	19,547
5. Distribution Expense - Operation	8,305,989	8,290,615	9,142,500	867,385
6. Distribution Expense - Maintenance	2,242,675	2,102,560	2,319,900	184,430
7. Consumer Accounts Expense	2,678,854	2,832,290	2,963,900	269,934
8. Customer Service and Informational Expense	671,672	643,865	553,400	43,791
9. Sales Expense	498,952	555,446	868,300	54,933
10. Administrative and General Expense	3,138,164	3,952,703	3,461,800	445,458
11. Total Operation & Maintenance Expense (2 thru 10)	68,271,666	77,056,199	73,413,600	6,413,220
12. Depreciation & Amortization Expense	6,078,576	7,192,109	7,032,000	707,087
13. Tax Expense - Property & Gross Receipts	0	0	0	0
14. Tax Expense - Other	783,726	1,037,819	788,400	73,640
15. Interest on Long-Term Debt	1,807,890	5,800,108	5,398,300	481,375
16. Interest Charged to Construction (Credit)	0	0	0	0
17. Interest Expense - Other	270,856	366,551	266,100	37,343
18. Other Deductions	144,319	171,756	87,500	2,124
19. Total Cost of Electric Service (11 thru 18)	80,357,033	91,624,542	86,985,900	7,714,791
20. Patronage Capital & Operating Margins (1 minus 19)	3,106,501	1,288,424	2,696,300	(501,205)
21. Non Operating Margins - Interest	114,678	141,825	126,900	8,993
22. Allowance for Funds Used During Construction	0	0	0	0
23. Income (Loss) from Equity Investments	0	0	0	0
24. Non Operating Margins - Other	(239,588)	138,168	118,100	18,998
25. Generation & Transmission Capital Credits	0	2,592,402	0	2,592,402
26. Other Capital Credits & Patronage Dividends	402,783	518,101	424,000	113
27. Extraordinary Items	0	0	0	0
28. Patronage Capital or Margins (20 thru 27)	3,384,374	4,678,921	3,365,300	2,119,301

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT

ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (b)	THIS YEAR (b)
1. New Services Connected	829	634	5 Miles Transmission	298	298
2. Services Retired	281	245	6 Miles Distribution Overhead	3,290	3,355
3. Total Services In Place	50,267	50,656	7 Miles Distribution Underground	641	724
4. Idle Services (Exclude Seasonal)	1,498	918	8 Total Miles Energized (5+6+7)	4,229	4,377

CFC FINANCIAL AND STATISTICAL REPORT		BORROWER DESIGNATION AZ014	
		YEAR ENDING	
		12/31/2007	
PART C - BALANCE SHEET			
ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	212,732,380	28. Memberships	190,590
2. Construction Work in Progress	17,826,327	29. Patronage Capital	45,417,096
3. Total Utility Plant (1+2)	230,558,708	30. Operating Margins - Prior Years	0
4. Accum. Provision for Depreciation and Amort	72,528,240	31. Operating Margins - Current Year	4,398,928
5. Net Utility Plant (3-4)	158,030,468	32. Non-Operating Margins	279,993
6. Nonutility Property - Net	115,029	33. Other Margins & Equities	(836,923)
7. Investment in Subsidiary Companies	0	34. Total Margins & Equities (28 thru 33)	49,449,645
8. Invest. in Assoc. Org. - Patronage Capital	9,776,201	35. Long-Term Debt CFC (Net)	97,760,014
9. Invest. in Assoc. Org. - Other - General Funds	1,010	(Payments-Unapplied (\$	
10. Invest in Assoc. Org. - Other - Nongeneral Funds	3,383,631	36. Long-Term Debt - Other (Net)	0
11. Investments in Economic Development Projects	0	(Payments-Unapplied (\$	
12. Other Investments	193,452	37. Total Long-Term Debt (35+36)	97,760,014
13. Special Funds	520,215	38. Obligations Under Capital Leases - Non current	0
14. Total Other Property & Investments (6 thru 13)	13,788,539	39. Accumulated Operating Provisions - Asset Retirement Obligations	885,815
15. Cash-General Funds	665,647	40. Total Other Noncurrent Liabilities (38+39)	885,815
16. Cash-Construction Funds-Trustee	0	41. Notes Payable	9,863,320
17. Special Deposits	62,365	42. Accounts Payable	5,444,917
18. Temporary Investments	0	43. Customers Deposits	1,675,774
19. Notes Receivable - Net	0	44. Current Maturities Long-Term Debt	
20. Accounts Receivable - Net Sales of Energy	3,860,695	45. Current Maturities Long-Term Debt-Economic Development	
21. Accounts Receivable - Net Other	940,875	46. Current Maturities Capital Leases	
22. Materials & Supplies - Electric and Other	4,093,896	47. Other Current & Accrued Liabilities	3,990,353
23. Prepayments	1,059,796	48. Total Current & Accrued Liabilities (41 thru 47)	20,974,363
24. Other Current & Accrued Assets	33,521	49. Deferred Credits	13,967,585
25. Total Current & Accrued Assets (15 thru 24)	10,725,794	50. Total Liabilities & Other Credits (34+37+40+48+49)	183,011,722
26. Deferred Debits	466,921		
27. Total Assets & Other Debits (5+14+25+26)	183,011,722		
		ESTIMATED CONTRIBUTIONS IN-AID-OF-CONSTRUCTION	
		Balance Beginning of Year	12,108,082
		Amounts Received This Year (Net)	2,311,252
		TOTAL Contributions-In-Aid-Of-Construction	14,419,334
PART D- THE SPACE BELOW IS PROVIDED FOR IMPORTANT NOTES REGARDING THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT.			
Estimated unbilled revenue not included in part C, Line 20	284,537	Prepayments-Prepaid power supply	530,350
Prepayments-Paid long-term right of way leases amortized 10 yrs	789,183	Deferred debts-all electric home amortized over 3 years	348,260
Deferred credit-Lump Sum ISAC prnts amortized over 25 yrs	245,541		
Deferred credit-patronage capital uncollected checks	380,971		
Deferred credit-fuel adjustment balances	1,585,042		
Deferred credit-solar energy government programs	12,012,06		
Deferred credit-consumer advances for construction	4,014,615		
Deferred credit-joint use real amortized over terms of lease	2,514,970		
Deferred credit-cost of removal	324,64		
Deferred credit-Fort Huachuca Deferred Revenue	5,114,977		
A/R Other (line 21)-includes Fort Huachuca A/R	31,000		
CWIP (line 2)-includes Fort Huachuca CWIP	291,652		
Cash from retirement of U&T and other capital credits	387,627		

CFC FINANCIAL AND STATISTICAL REPORT		BORROWER DESIGNATION AZ2014 YEAR ENDING 12/31/2007					
<p>Much of Part E has been consolidated. Enter only the total of "Distribution Plant" (that includes such items as Land and Land Rights, Structures and Improvements and Station Equipment), the total of "General Plant" (items such as Office Furniture, Transportation Equipment), the total of "Transmission Plant" (items such as Land and Land Rights, Roads and Trails), Steam, Nuclear, Hydro, Other Production Plants and "All Other Utility Plant"</p>							
PART E. CHANGES IN UTILITY PLANT							
	PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFER (d)	BALANCE END OF YEAR (e)	
1.	Distribution Plant Subtotal	184,713,846	18,113,377	2,340,351	0	180,486,872	
2.	General Plant Subtotal	15,208,714	3,062,831	287,840	0	17,983,705	
3.	Headquarters Plant	7,710,090	123,936	6,924	0	7,827,072	
4.	Intangibles	46,500	0	0	0	46,500	
5.	Transmission Plant Subtotal	9,283,291	720,074	33,706	0	9,971,659	
6.	Production Plant - Steam	0	0	0	0	0	
7.	Production Plant - Nuclear	0	0	0	0	0	
8.	Production Plant - Hydro	0	0	0	0	0	
9.	Production Plant - Other	0	0	0	0	0	
10.	All Other Utility Plant	(701,996)	5,260	2,886,700	0	(3,583,427)	
11.	SUBTOTAL: (1 thru 10)	196,262,815	22,025,487	5,555,521	0	212,732,381	
12.	Construction Work in Progress	12,072,740	5,755,587			17,828,327	
13.	TOTAL UTILITY PLANT (11 + 12)	208,335,555	27,779,074	5,555,521	0	230,586,708	
<p>CFC NO LONGER REQUIRES SECTIONS "F", "G", "H" AND "I" DATA These sections refer to data on "Analysis of Accumulated Provision for Depreciation" (F), "Materials and Supplies" (G), "Annual Meeting and Board Data" (H), and "Conservation Data" (I).</p>							
PART H. SERVICE INTERRUPTIONS							
	ITEM	Avg. Hours per Consumer by Cause Power Supplier (a)	Avg. Hours per Consumer by Cause Extreme Storm (b)	Avg. Hours per Consumer by Cause Prearranged (c)	Avg. Hours per Consumer by Cause All Other (d)	TOTAL (e)	
1.	Present Year	1.56	0.00	0.12	1.85	3.52	
2.	Five-Year Average	0.40	0.00	0.00	1.87	2.33	
PART I. EMPLOYEE - HOUR AND PAYROLL STATISTICS							
1.	Number of Full Time Employees	127	3. Payroll - Expensed	6,474,125			
2.	Employee - Hours Worked - Regular Time	371,162	4. Payroll - Capitalized	2,811,745			
3.	Employee - Hours Worked - Overtime	21,366	6. Payroll - Other	1,643,807			
PART J. PATRONAGE CAPITAL							
	ITEM	THIS YEAR (a)	CUMULATIVE (b)	PART K. DUE FROM CONSUMERS FOR ELECTRIC SERVICE			
1.	General Retirement	249,913	10,932,680	1. Amount Due Over 60 Days: 228,801			
2.	Special Retirements	3,413	3,413	2. Amount Written Off During Year: 136,152			
3.	Total Retirements (1+2)	253,326	10,936,093				
4.	Cash Received from Retirement of Patronage Capital by Suppliers of Electric Power	0					
5.	Cash Received from Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	375,754					
6.	Total Cash Received (4+5)	375,754					
L. KWH PURCHASED AND TOTAL COST							
	NAMER OF SUPPLIER (a)	CFC USE ONLY SUPPLIER CODE (b)	KWH PURCHASED (c)	TOTAL COST (d)	AVERAGE COST PER KWH (cents) (e)	INCLUDED IN TOTAL COST FUEL COST ADJUSTMENT (f)	WHOLESALE & OTHER CHARGES (for Credits) (g)
1.	ADPCO		857,940,503	58,128,432	6.78	10,505,619	0
2.			0	0	0.00	0	0
3.			0	0	0.00	0	0
4.			0	0	0.00	0	0
5.	TOTALS		857,940,503	58,128,432	6.78	10,505,619	0

CFC FINANCIAL AND STATISTICAL REPORT		BORROWER DESIGNATION				
		AZ014				
		YEAR ENDING 12/31/2007				
PART M. LONG-TERM LEASES (If additional space is needed, use separate sheet)						
LIST BELOW ALL "RESTRICTED PROPERTY" ** HELD UNDER "LONG TERM" LEASE. (If none, State "NONE")						
	NAME OF LESSOR	TYPE OF PROPERTY	RENTAL THIS YEAR			
1.	None		\$0			
2.						
3.	TOTAL				\$0	
<p>** "RESTRICTED PROPERTY" means all properties other than automobiles, trucks, tractors, other vehicles (including without limitation aircraft and ships), office and warehouse space and office equipment (including without limitation computers). "LONG TERM" means leases having unexpired terms in excess of 3 years and covering property having an initial cost in excess of \$250,000.</p>						
PART O. LONG-TERM DEBT SERVICE REQUIREMENTS						
	NAME OF LENDER	BALANCE END OF YEAR	BILLED THIS YEAR			CFC USE ONLY (d)
			INTEREST (a)	PRINCIPAL (b)	TOTAL (c)	
1.	National Rural Utilities Cooperative Finance Corporation	97,760,014	5,620,981	4,269,396	9,890,377	
2.		0	0	0	0	
3.		0	0	0	0	
4.		0	0	0	0	
5.		0	0	0	0	
6.		0	0	0	0	
7.		0	0	0	0	
8.		0	0	0	0	
9.		0	0	0	0	
10.	TOTAL (Sum of 1 thru 9)	\$97,760,014	\$5,620,981	\$4,269,396	\$9,890,377	

CFC FINANCIAL AND STATISTICAL REPORT		BORROWER DESIGNATION AZ014 YEAR ENDING 12/31/2007			
PART A: POWER REQUIREMENTS DATA BASE					
CLASSIFICATION	CONSUMER, SALES, AND REVENUE DATA	JANUARY CONSUMERS (a)	DECEMBER CONSUMERS (b)	AVERAGE CONSUMERS (c)	TOTAL KWH SALES AND REVENUE (d)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	39,591	40,186	39,889	
	b. KWH Sold				354,843,365
	c. Revenue				42,953,435
2. Residential Sales - Seasonal	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
3. Irrigation Sales	a. No. Consumers Served	657	756	707	
	b. KWH Sold				141,061,973
	c. Revenue				12,919,505
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	8,659	8,747	8,703	
	b. KWH Sold				261,267,401
	c. Revenue				28,415,815
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	3	3	3	
	b. KWH Sold				36,567,840
	c. Revenue				3,808,627
6. Public Street & Highway Lighting	a. No. Consumers Served	47	46	47	
	b. KWH Sold				2,353,242
	c. Revenue				415,105
7. Other Sales to Public Authority	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
8. Sales for Resales-RUS Borrowers	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
9. Sales for Resales-Other	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
10. TOTAL No. of Consumers (lines 1a thru 9a)		48,957	49,738	49,348	
11. TOTAL KWH Sold (lines 1b thru 9b)					796,093,821
12. TOTAL Revenue Received From Sales of Electric Energy (line 1c thru 9c)					88,512,487
13. Other Electric Revenue					4,400,479
14. KWH - Own Use					1,843,362
15. TOTAL KWH Purchased					857,940,503
16. TOTAL KWH Generated					0
17. Cost of Purchases and Generation					58,128,432
18. Interchange - KWH - Net					0
19. Peak - Sum All KW Input (Metered)					189,614
Non-coincident	Coincident				

CFC INVESTMENTS, LOAN GUARANTEES AND LOANS - DISTRIBUTION (All investments refer to your most recent CFC Loan Agreement) Submit an electronic copy and a signed hard copy to CFC. Round all amounts to the nearest dollar.		BORROWER DESIGNATION AZ014 BORROWER NAME Sulphur Springs Valley Electric Coop, INC MONTH ENDING 12/31/2007		
DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (d)	
7a. PART 1 - INVESTMENTS				
1. INVESTMENTS IN ASSOCIATED ORGANIZATIONS				
5 Patronage Capital CFC	0	822,335	0	
6 Patronage Capital G & T Supplier	0	8,743,615	0	
7 Patronage Capital Other-Pedestrian, NISC, NRTC, CRC	0	387,627	0	
8 Investment in CFC's at NRUCFC & NRUCFC Membership	0	3,384,631	0	
Subtotal (Line 5 thru 8)	0	13,538,208	0	
2. INVESTMENTS IN ECONOMIC DEVELOPMENT PROJECTS				
9	0	0	0	
10	0	0	0	
11	0	0	0	
12	0	0	0	
Subtotal (Line 9 thru 12)	0	0	0	
3. OTHER INVESTMENTS				
13 ERC Loans Receivable	190,485	0	0	
14	0	0	0	
15	0	0	0	
16	0	0	0	
Subtotal (Line 13 thru 16)	190,485	0	0	
4. SPECIAL FUNDS				
17 Deferred Compensation Employee	0	320,216	0	
18	0	0	0	
19	0	0	0	
20	0	0	0	
Subtotal (Line 17 thru 20)	0	320,216	0	
5. CASH - GENERAL				
21 General Funds-Bank of America, Chase, Wells Fargo	456,781	100,000	0	
22 CBA Medical	0	8,866	0	
23	0	0	0	
24	0	0	0	
Subtotal (Line 21 thru 24)	456,781	208,866	0	
6. SPECIAL DEPOSITS				
25 Other Utilities, UPS, US Postmaster	15,983	0	0	
26 State Fund Insurance	10,132	0	0	
27 Bella Vista Water	326	0	0	
28 City of Sierra Vista, Pueblo del Sol	13,900	0	0	
Subtotal (Line 25 thru 28)	62,365	0	0	
7. TEMPORARY INVESTMENTS				
29	0	0	0	
30	0	0	0	
31	0	0	0	
32	0	0	0	
Subtotal (Line 29 thru 32)	0	0	0	
8. ACCOUNTS & NOTES RECEIVABLE - NET				
33	0	0	0	
34	0	0	0	
35	0	0	0	
36	0	0	0	
Subtotal (Line 33 thru 36)	0	0	0	
9. COMMITMENTS TO INVEST WITHIN 12 MONTHS BUT NOT ACTUALLY PURCHASED				
37	0	0	0	
38	0	0	0	
39	0	0	0	
40	0	0	0	
Subtotal (Line 37 thru 40)	0	0	0	
Total	709,631	13,867,290	0	

CFC INVESTMENTS, LOAN GUARANTEES AND LOANS - DISTRIBUTION <small>(All Investments refer to your most recent CFC Loan Agreement)</small> Submit an electronic copy and a signed hard copy to CFC. Round all amounts to the nearest dollar.		BORROWER DESIGNATION AZ014 BORROWER NAME Sulphur Springs Valley Electric Coop. INC MONTH ENDING 12/31/2007			
7a. PART II. LOAN GUARANTEES					
Line No.	Organization & Guarantee Beneficiary (a)	Maturity Date of Guarantee Obligation (b)	Original Amount (\$) (c)	Performance Guarantee Exposure or Loan Balance (\$) (d)	Available Loans (Covered by Guarantees) (e)
1			0	0	0
2			0	0	0
3			0	0	0
4			0	0	0
5			0	0	0
TOTALS (Line 1 thru 5)			0	0	0
7b. PART III. LOANS					
Line No.	Name of Organization (a)	Maturity Date (b)	Original Amount (\$) (c)	Loan Balance (\$) (d)	Available Loans (e)
1			0	0	0
2			0	0	0
3			0	0	0
4			0	0	0
5			0	0	0
TOTALS (Line 1 thru 5)			0	0	0
7c. PART IV. TOTAL INVESTMENTS AND LOANS GUARANTEES					
1 TOTAL (Part I, Total - Column b + Part II, Totals - Column d + Column e + Part III, Totals - Column d + Column e)				709,631	
2 LARGER OF (a) OR (b)				34,583,806	
a. 15 percent of Total Utility Plant (CFC Form 7, Part C, Line 3)				34,583,806	
b. 50 percent of Total Equity (CFC Form 7, Part C, Line 34)				24,724,823	

PRELIMINARY FINANCIAL & STATISTICAL RATIOS				
We have added 92 new ratios to the existing 83 ratios calculated from the data entered on your Form 7. These preliminary ratios can be used to evaluate your system's performance and used as an error checking device. MDSC and DSC will be "estimated" values. Your system's prior year's "Investment in Associated Orgs - Patronage Capital" must be entered as a part of the calculation for MDSC.				
ITEM DESCRIPTION	ENTER DATA	RATIO NO.	RATIO DESCRIPTION	ESTIMATED RATIO VALUE
Invest. in Assoc. Org. - Pat Cap (for 2006)	7,055,636	1	Average Total Consumers Served	49,348.00
Dated Debt Services (2007)	9,891,685	2	Total KWH Sold (1,000)	796,094.00
Total KWH Sold (for 2006)	735,244,867	3	Total Utility Plant (1,000)	230,558.71
Avg. Total Number of Consumers (for 2006)	48,234	4	Total Number of Employees (Full Time Only)	177.00
Total Utility Plant (for 2006)	196,262,415	5	Total Miles of Line	4,377.00
Total Margins and Equities (for 2005)	4,741,412	6	TIER (estimated)	1.81
Total Margins and Equities (for 2006)	3,164,374	7	TIER (2 of 3 year High Average)	1.29
Total Long-Term Debt (for 2005)	75,596,880	8	OTIER	1.29
Total Long-Term Debt (for 2006)	66,100,504	9	OTIER (2 of 3 year High Average)	1.78
Total Margins and Equities (for 2002)	5,725,845	10	MDSC (estimated)	1.50
Total Long-Term Debt (for 2002)	63,594,313	11	MDSC (2 of 3 year High Average)	1.65
Current Maturities Long-Term Debt - Economic Development (2006)		12	Debt Service Coverage - DSC (estimated)	1.79
Current Maturities Long-Term Debt (2006)	4,194,124	13	DSC (2 of 3 year High Average)	1.77
TIER (2005)	2.18	14	ODSC	1.48
TIER (2006)	1.70	15	ODSC (2 of 3 year high average)	1.64
TIER (2007)	1.51	16	Equity As A % of Assets	27.02
		17	Distribution Equity (excludes equity in Assoc. Org's Patronage Capital)	22.90
OTIER (2005)	1.83	18	Equity As A % of Total Capitalization	33.59
OTIER (2006)	1.71	19	Long Term Debt As A % of Total Assets	53.42
OTIER (2007)	1.29	20	Long Term Debt Per KWH Sold (Mills)	122.80
		21	Long Term Debt Per Consumer (\$)	1,981.05
MDSC (2005)	1.61	22	Non-Government Debt As % of Total Long-Term Debt	100.00
MDSC (2006)	1.68	23	Blended Interest Rate (%)	6.04
MDSC (2007)	1.50	24	Annual Capital Credits Retired Per Total Equity (%)	0.51
		25	Long-Term Interest As A % of Revenue	6.24
DSC (2005)	1.76	26	Cumulative Patronage Capital Retired As A % of Total Patronage Capital	18.11
DSC (2006)	1.06	27	Rate of Return on Equity (%)	9.46
DSC (2007)	1.79	28	Rate of Return on Total Capitalization (%)	7.12
		29	Current Ratio	0.51
ODSC (2005)	1.60	30	General Funds Per TLIP (%)	0.56
ODSC (2006)	1.67	31	Plant Revenue Ratio (PIPR) One Year	6.68
ODSC (2007)	1.48	32	Investment in Subsidiaries to Total Assets (%)	
2% of Total Margins & Equity	988,993	33	Total Operating Revenue Per KWH Sold (Mills)	116.71
1/3 of the Lease portion	(329,664)	34	Total Operating Revenue Per TLIP Investment (Costs)	40.30
Pat Cap (Cash) portion	389,939	35	Total Operating Revenue Per Consumer (\$)	1,882.83
		36	Electric Revenue Per KWH Sold (Mills)	111.18
		37	Electric Revenue Per Consumer (\$)	1,793.66
		38	Residential Revenue Per KWH Sold (Mills)	121.05
		39	Non-Residential Revenue Per KWH Sold (Mills)	183.25
		40	Seasonal Revenue Per KWH Sold (Mills)	NDIVM

PRELIMINARY FINANCIAL & STATISTICAL RATIOS					
<p>We have added 92 new ratios to the existing 53 ratios calculated from the data entered on your Form 7. These preliminary ratios can be used to evaluate your system's performance and used as an error checking device. MDSC and DSC will be "estimated" values. Your system's prior year's "Investment in Associated Orgs - Patronage Capital" must be entered as a part of the calculation for MDSC.</p>					
RATIO NO.	RATIO DESCRIPTION	ESTIMATED RATIO VALUE	RATIO NO.	RATIO DESCRIPTION	ESTIMATED RATIO VALUE
41	Irrigation Revenue Per KWH Sold (Mills)	91.59	81	Consumer Accounting Expenses per Consumer (\$)	57.30
42	Small Commercial Revenue Per KWH Sold (Mills)	108.76	82	Customer Sales and Service Per Total KWH Sold (Mills)	1.51
43	Large Commercial Revenue Per KWH Sold (Mills)	104.15	83	Consumer Sales and Service Per Consumer (\$)	24.36
44	Sales for Resale Revenue Per KWH Sold (Mills)	#DIV/0!	84	A & G Expenses Per Total KWH Sold (Mills)	4.97
45	Street & Highway Lighting Revenue Per KWH Sold (Mills)	176.40	85	A & G Expenses Per Consumer (\$)	80.10
46	Other Sales to Public Authorities Revenue Per KWH Sold (Mills)	#DIV/0!	86	Total Controllable Expenses Per Total KWH Sold (Mills)	23.46
47	Operating Margins Per KWH Sold (Mills)	1.02	87	Total Controllable Expenses Per Consumer (\$)	378.49
48	Operating Margins Per Consumer \$	26.11	88	Power Cost Per KWH Purchased (Mills)	68.05
49	Non-Operating Margins Per KWH Sold (Mills)	0.35	89	Power Cost Per Total KWH Sold (Mills)	73.33
50	Non-Operating Margins Per Consumer \$	5.67	90	Power Cost As A % of Revenue	63.83
51	Total Margins Less Allocations Per KWH Sold (Mills)	1.97	91	Long-Term Interest Cost Per Total KWH Sold (Mills)	7.20
52	Total Margins Less Allocations Per Consumer \$	31.78	92	Long-Term Interest Cost As A % of TUP	2.52
53	Income (Loss) from Equity Investments Per Consumer \$	-	93	Long-Term Interest Cost Per Consumer (\$)	117.54
54	Associated Organization's Capital Credits Per KWH Sold (Mills)	3.91	94	Depreciation Expense Per Total KWH Sold (Mills)	9.03
55	Associated Organization's Capital Credits Per Consumer (\$)	63.03	95	Depreciation Expense As A % of TUP	3.12
56	Total Margins Per KWH Sold (Mills)	5.88	96	Depreciation Expense Per Consumer (\$)	145.74
57	Total Margins Per Consumer \$	94.82	97	Accumulative Depreciation As A % of Plant in Service	34.09
58	A/R Over 60 Days As A % of Operating Revenue	0.24	98	Total Tax Expense Per Total KWH Sold (Mills)	1.30
59	Amount Write-Off As A % of Operating Revenue	0.15	99	Total Tax Expense As A % of TUP	0.45
60	Total MWH Sold Per Mile of Line	181.88	100	Total Tax Expense Per Consumer	21.03
61	Average Residential KWH Usage Per Month	741.32	101	Total Fixed Expenses Per Total KWH Sold (Mills)	91.63
62	Average Seasonal KWH Usage Per Month	#DIV/0!	102	Total Fixed Expenses Per Consumer (\$)	1,478.23
63	Average Irrigation KWH Usage Per Month	16,638.99	103	Total Operating Expenses Per Total KWH Sold (Mills)	23.46
64	Average Small Commercial KWH Usage Per Month	2,501.70	104	Total Operating Expenses Per Consumer (\$)	378.49
65	Average Large Commercial KWH Usage Per Month	1,015,793.33	105	Total Cost of Service (Minus Power Costs) Per Total KWH Sold (Mills)	41.76
66	Average Street & Highway Lighting KWH Usage Per Month	4,217.28	106	Total Cost of Electric Service Per Total KWH Sold (Mills)	115.09
67	Average Sales for Resale KWH Usage Per Month	#DIV/0!	107	Total Cost of Electric Service Per Consumer (\$)	1,856.71
68	Average Sales to Public Authorities KWH Usage Per Month	#DIV/0!	108	Average Wage Rate Per Hour (\$)	27.63
69	Residential KWH Sold Per Total KWH Sold (%)	44.57	109	Total Wages Per Total KWH Sold (Mills)	13.73
70	Seasonal KWH Sold Per Total KWH Sold (%)	-	110	Total Wages Per Consumer (\$)	221.49
71	Irrigation KWH Sold Per Total KWH Sold (%)	17.72	111	Overtime Hours/Total Hours (%)	6.16
72	Small Commercial KWH Sold Per Total KWH Sold (%)	32.82	112	Capitalized Payroll/Total Payroll (%)	23.90
73	Large Commercial KWH Sold Per Total KWH Sold (%)	4.59	113	Average Consumers Per Employee	278.80
74	Street & Highway Lighting KWH Sold Per Total KWH Sold (%)	0.30	114	Annual Growth in KWH Sold (%)	8.27
75	Sales for Resale KWH Sold Per Total KWH Sold (%)	-	115	Annual Growth in Number of Consumers (%)	2.31
76	Sales to Public Authorities KWH Sold Per Total KWH Sold (%)	-	116	Annual Growth in TUP Dollars (%)	17.47
77	O & M Expenses Per Total KWH Sold (Mills)	13.43	117	Const. W I P to Plant Additions (%)	80.93
78	O & M Expenses Per Dollars of TUP (Mills)	46.38	118	Net New Services to Total Services (%)	0.77
79	O & M Expenses Per Consumer (\$)	216.69	119	Annual Growth in Total Capitalization (%)	57.47
80	Consumer Accounting Expenses Per Total KWH Sold (Mills)	3.56	120	3 Yr. Compound Growth in Total Capitalization (%)	35.37

PRELIMINARY FINANCIAL & STATISTICAL RATIOS

We have added 92 new ratios to the existing 52 ratios calculated from the data entered on your Form 7. These preliminary ratios can be used to evaluate your system's Performance and used as an error checking device. MDSC and DSC will be "estimated" values. Your system's prior year's "Investment in Associated Orgs - Patronage Capital" must be entered as a part of the calculation for MDSC.

RATIO NO.	RATIO DESCRIPTION	ESTIMATED RATIO VALUE
121	5 Yr. Compound Growth in Total Capitalization (%)	16.59
122	TUP Investment Per Total KWH Sold (Cents)	28.96
123	TUP Investment Per Consumer (\$)	4,672.15
124	TUP Investment Per Mile of Line (\$)	52,675.05
125	Average Consumers Per Mile	11.27
126	Distribution Plant Per Total KWH Sold (Mills)	226.72
127	Distribution Plant Per Consumer (\$)	3,657.47
128	Distribution Plant Per Employee (\$)	1,019,699.84
129	General Plant Per Total KWH Sold (Mills)	22.59
130	General Plant Per Consumer (\$)	364.43
131	General Plant Per Employee (\$)	101,602.85
132	Headquarters Plant Per Total KWH Sold (Mills)	9.83
133	Headquarters Plant Per Consumer (\$)	158.61
134	Headquarters Plant Per Employee (\$)	44,220.75
135	Transmission Plant Per Total KWH Sold (Mills)	12.53
136	Transmission Plant Per Consumer (\$)	202.07
137	Transmission Plant Per Employee (\$)	56,337.06
138	Idle Services to Total Service (%)	1.81
139	Line Loss (%)	6.99
140	System Avg. Interruption Duration Index (SAIDI) - Power Supplier	1.56
141	System Avg. Interruption Duration Index (SAIDI) - Extreme Storm	-
142	System Avg. Interruption Duration Index (SAIDI) - Prearranged	0.12
143	System Avg. Interruption Duration Index (SAIDI) - All Other	1.35
144	System Avg. Interruption Duration Index (SAIDI) - Total	3.52
145	Avg. Service Availability Index (ASAI) - Total (%)	99.96